

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6928

BILL NUMBER: SB 575

DATE PREPARED: Feb 8, 2001

BILL AMENDED:

SUBJECT: State Police Salary Matrix.

FISCAL ANALYST: David Hoppmann

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FUNDS AFFECTED: X

X

**GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: This bill requires the State Police Board (the Board) to create a salary matrix for salaries of police employees within each rank based upon the rank held and the number of years of service in the State Police Department (the Department) through the fifteenth year. It provides that the highest salary paid in a rank must be equivalent to the average of the highest salary paid in an equivalent rank of a police employee in Illinois, Michigan, Kentucky, and Ohio. It appropriates an amount sufficient to fund the matrix for the year beginning July 1, 2001, and ending June 30, 2002, with 50% of the amount appropriated from the state General Fund and 50% from the Motor Vehicle Highway Account.

Effective Date: July 1, 2001.

Explanation of State Expenditures: The ultimate fiscal impact of this bill is dependent upon an appropriation decision of the General Assembly and the maximum salaries contained within a new 15-year matrix. Department ranks were compared to similar ranks in a survey of Illinois, Kentucky, Michigan and Ohio in determining an average of top salaries. (This fiscal analysis is based on estimated percentage increases occurring in each year of the new matrix.)

Two methods, explained below, were used to estimate a potential impact. **The total first year increase could range from \$12.8 M to \$16.8 M.** The funds affected would be the state General Fund and the Motor Vehicle Highway Account, both of which support the State Police.

Based on a survey, the following State Police salary information was gathered. (Note: no state surveyed uses the rank of corporal; Indiana has approximately 40 corporals out of a total of approximately 1,200 officers.)

States' Maximum Salaries

<u>Ranks</u>	<u>Indiana</u>	<u>Ohio</u>	<u>Kentucky</u>	<u>Illinois</u>	<u>Michigan</u>	<u>4-State Avg.</u>	<u>% Above Indiana</u>
Trooper	\$42,708	\$42,016	\$66,264	\$68,928	\$46,103	\$55,828	30.72%
Corporal	\$44,502					\$58,624	31.73%
Sergeant	\$47,154	\$50,752	\$70,884	\$75,504	\$53,244	\$62,596	32.75%
First Sergeant	\$48,870	\$55,848		\$77,964	\$62,431	\$65,414	33.85%
Lieutenant.	\$50,144	\$61,589	\$75,264	\$83,376	\$67,546	\$71,944	43.47%
Captain	\$51,990	\$67,746	\$82,572	\$89,280	\$85,303	\$81,225	56.23%
Major	\$55,318	\$74,714	\$81,612	\$92,385	\$98,326	\$86,759	56.84%
Lt. Colonel	\$68,500	\$82,285	\$96,852	\$109,000	\$115,916	\$101,013	47.46%
Colonel	\$74,922	\$108,514	\$85,932	\$109,000	\$114,000	\$104,362	39.29%

Among the states surveyed, the average maximum salaries for all ranks was approximately 41% over comparable Indiana ranks. (To estimate a corporal average, the average maximum of troopers and sergeants salaries was used. Also, Kentucky maximum salaries have no fixed limit, and maximum salaries may be affected both by tenure and political appointment.) *Additional details regarding survey and salary methods are available upon request from Legislative Services Agency.*

Salary Costs and Benefits Estimate

The current total salary expenditure for State Police officers is approximately \$52 M for approximately 1,200 officers, 674 of whom have 11 years or more of service under the present 10-year matrix. Under a new 15-year matrix, the maximum salary (calculated from the maximum average of other states' salaries) could be applied to year 15; and in the preceding years, annual increases could be spread evenly to reach the maximum. (Annual increases could also be based on weighted methodologies.)

The first-year fiscal impact of changing to a 15-year matrix is based on two scenarios in this analysis: (1) a "flat rate" increase where the salary differential is divided evenly over year two to year 15; and (2) a weighted increase where 90% of the maximum salary differential is evenly applied over years 2 through 7, and the remaining 10% is evenly applied over years 8 through 15 (this methodology is similar to what is used in the current 10-year matrix).

Flat Rate Salary Increase: The estimated annual salary expenditure for a new 15-year matrix, using the same salary bonus each year, would total approximately \$61.8 M. The increase above the current salary/benefit expenditure is approximately \$12.8 M, including benefits.

Weighted Salary Increase: Using the current matrix structure for a new 15-year matrix, the estimated salary expenditure would total approximately \$64.8 M. The annual increase above the current salary expenditure is approximately \$16.8 M, including benefits.

Explanation of State Revenues: An increase in State Police salaries would also increase collection of the income and sales taxes. Assuming that the additional income would be taxed at the current income tax rate of 3.4% and half of the income would generate additional sales tax revenue, the state could receive approximately \$452,000 to \$593,000 in additional revenue.

Income tax revenue is deposited into the state General Fund. Gross Retail (Sales) and Use taxes are deposited into the state General Fund (59.03%), the Property Tax Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), the Industrial Rail Service Loan Fund (0.04%), and the Commuter Rail Service Fund (0.17%).

Explanation of Local Expenditures:

Explanation of Local Revenues: Local Option Income Tax (LOIT) counties could receive a minimal increase in LOIT revenues.

State Agencies Affected: State Police.

Local Agencies Affected: LOIT Counties.

Information Sources: Steve Hillman, Indiana State Police, 232-8204; Peggy Belli, Ohio State Police, (614) 752-2197; Captain Stiltner, Kentucky State Police, (502) 695-6360; Melissa Wheat, Illinois State Police, (217) 785-1327; Phyllis Holton, Michigan State Police, (517) 332-2521.